

Message Text

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ACTION SS-25

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FM AMEMBASSY LIMA

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C O N F I D E N T I A L LIMA 10690

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E.O. 11652:GDS

TAGS: EFIN, BDIS, PE

SUBJECT: GREENE SETTLEMENT - DISTRIBUTION OF PROCEEDS

REFS: STATE 275595, LIMA 10650, WEBER/BARNEBEY TELCON DEC 18,1974.

1. FONMINISTRY SECRETARY GENERAL GARCIA BEDOYZ ASKED ME TO COME TO THE FOREIGN MINISTRY THIS AFTERNOON (DECEMBER 18) TO GIVE FURTHER GOP RESPONSE TO USG DECISION TO PAY QUALIFIED CLAIMANTS UNDER TERMS OF THE GREENE SETTLEMENT.

2. GARCIA BEDOYA SAID THAT IN GOP VIEW US DECISION TO MAKE PAYMENT TO EXXON EXCEEDS WHAT THEY BELIEVE THE GREENE SETTLEMENT PROVISIONS CALL FOR. FOR THIS REASON THE GOP CONSIDERS THE USG POSITION "UNACCEPTABLE", AND INTENDS TO SEND THE EMBASSY A NOTE REJECTING THIS USG POSITION AND RETURNING DECEMBER 17 AIDE MEMOIRE. ACCORDING TO GARCIA BEDOYA, GOP BELIEVES THAT TIMEING OF USG ANNOUNCE-

MENT IS MOST UNHELPFUL IN VIEW OF THE RECENT PUBLIC CONTROVERSY OVER ARBITRATION PROVISIONS OF NORTH PERU PIPELINE CONTRACTS, REPEATING A POINT WHICH HE HAD MADE IN YESTERDAY'S CONVERSATION (LIMA 10650). HE SAID THAT IT APPEARS THAT USG IS ADDING FUEL TO THE FIRE (THE PIPELINE CONTRACT CONTROVERSY) BY ANNOUNCING PAYMENT UNDER THE GREENE AGREEMENT AS EARLY AS THIS MONTH. GOP, HE SAID, REQUESTS A POSTPONEMENT UNTIL MID-JANUARY, ALSO MAKING THE POINT THAT GOP IS AWARE OF NO URGENCY
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IN MAKING PAYMENTS TO THE INTEREST COMPAINES. GARCIA BEDOYA

WENT ON TO SAY THAT GOP BELIEVES ITS POSITION HAS NOT BEEN TAKEN SUFFICIENTLY INTO ACCOUNT IN OUR PROPOSED PRESS STATEMENT. HE ASKED WHY IT COULD NOT BE EXPLICITLY STATED THAT GOP DOES NOT CONCUR IN THE DISTRIBUTION OF GREENE SETTLEMENT PROCEEDS AS DETERMINED BY USG.

3. GARCIA BEDOYA SPECIFICALLY ASKED BY TO CONVEY TO THE DEPARTMENT THESE GOP CONCERNS AS SOON AS POSSIBLE, PREFERABLY BY TELEPHONE THIS AFTERNOON. I SAID I WOULD GET IN TOUCH WITH THE DEPARTMENT IMMEDIATELY TO PASS ALONG THESE EXPRESSIONS OF GOP CONCERN.

4. MY RESPONSE TO GARCIA BEDOYA'S PRESENTATION PRIMARILY COVERED THESE POINTS:

A. USG STATEMENT SPECIFICALLY MENTIONS ARTICLE 3 OF GREENE SETTLEMENT, WHICH PROVIDES THE BASIS FOR A UNILATERAL USG DECISION AS TO HOW TO DISTRIBUTE THE PAYMENTS UNDER THE AGREEMENT.

B. I SAID THAT USG HAS NO INTENTION WHATSOEVER TO ADD TO GOP PROBLEMS RELATING TO THE RECENT DISPUTE OVER WHETHER OR NOT THE PIPELINE CONTRACT ARBITRATION PROVISIONS ARE OR ARE NOT CONSTITUTIONAL.

C. I SAID THAT IF GOP POSITION IS NOT SUFFICIENTLY TAKEN INTO ACCOUNT IN OUR PRESS STATEMENT I WOULD ASSUME THAT GOP COULD MAKE WHATEVER STATEMENT IT CHOOSES TO CLARIFY THIS POINT. I ASKED HIM IF HE HAD ANY LANGUAGE GOP WOULD LIKE TO PROPOSE FOR INCLUSION IN USG STATEMENT TO PRESS; GARCIA BEDOYA DID NOT VOLUNTEER ANY SUCH FORMULATION.

5. COMMENT: THE "FIREWORKS" I MENTIONED IN YESTERDAY'S CABLE REGARDING GOP REACTION TO THE IMPENDING USG DISTRIBUTION APPARENTLY COMES FROM AT LEAST FONMINISTER DE LA FLOR, IF NOT INDEED FROM PRESIDENT VELASCO HIMSELF. REACTION OF GOP, AS IS APPARENT, IS CONSIDERABLY STRONGER THAN THAT INITIALLY GIVEN BY GARCIA BEDOYA. HOWEVER, THOUGH GOP APPARENTLY MAY CHOOSE TO BELIEVE USG PAYMENT TO EXXON EXCEEDS PROVISIONS OF GREENE SETTLEMENT, IT DOES NOT SPECIFICALLY CHALLENGE USG RIGHT UNDER TERMS OF THE AGREEMENT TO CONFIDENTIAL

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MAKE ANY DISTRIBUTION IT CHOOSES. COMPLAINTS OF TIMING OF USG ANNOUNCEMENT WERE PREDICTABLE, AND INDEED FORESEEN BY THE DEPARTMENT IN GIVING GOP SO LITTLE ADVANCE NOTICE OF IMPENDING USG ANNOUNCEMENT; HOWEVER, IT IS NOT CLEAR THAT GOP WOULD BE ALL THAT MUCH MORE COMFORTABLE WITH DISTRIBUTION OCCURRING 30 DAYS FROM NOW, OR AT ANY OTHER TIME PRIOR TO FEBRUARY 19 AS CONTRASTED WITH THE DECEMBER 18-19 TIMEFRAME. GOP POSITION THAT ITS DISAGREEMENT WITH THE PROPOSED DISTRIBUTION IS NOT TAKEN SUFFICIENTLY INTO

ACCOUNT IN OUR PRESS STATEMENT MAY, HOWEVER, HAVE SOME MERIT. AT LEAST A FIG LEAF MIGHT BE PROFFERED THE GOP IN OUR STATEMENT, AND I WOULD SUGGEST URGENT CONSIDERATION BE GIVEN TO ADDING LANGUAGE PARAPHRASING ONE PARAGRAPH OF THE PREAMBLE TO THE GREENE AGREEMENT IN OUR PRESS STATEMENT. THE PARAGRAPH IN QUESTION READS: QUOTE IT HAS BEEN CLEARLY ESTABLISHED BY THE GOVERNMENT OF PERU THAT THE IPC CASE WILL NOT FOR ANY REASON BE A SUBJECT OF SAID CONVERSATIONS INASMUCH AS THIS IS A MATTER WHICH HAS BEEN DEFINITELY RESOLVED. THE GOVERNMENT OF THE UNITED STATES RECOGNIZES THAT THIS IS THE POSITION OF THE REVOLUTIONARY GOVERNMENT. UNQUOTE. SUCH A PARAPHRASED STATEMENT MIGHT NOTE THAT GOP HAS CONSISTENTLY TAKEN THE POSITION THAT PAYMENT TO EXXON WAS NOT DISCUSSED WITHIN THE CONTEXT OF THIS SETTLEMENT INASMUCH AS THIS IS A MATTER WHICH IN THE VIEW OF THE GOP HAS BEEN DEFINITELY RESOLVED. FURTHER, THE PARAPHRASED STATEMENT MIGHT SAY THAT USG RECOGNIZES THIS TO BE THE POSITION OF THE GOP. UNLESS THERE ARE OVERRIDING REASONS NOT TO MAKE SUCH AN ADDITION OF WHICH THE EMBASSY IS UNAWARE, I WOULD STRONGLY RECOMMEND INCLUSION OF SUCH A STATEMENT IN THE BODY OF THE USG STATEMENT.

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